

Message Text

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ORIGIN EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01

USIA-15 FEA-02 SAJ-01 IO-14 IGA-02 /208 R

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FM SECSTATE WASHDC

TO AMEMBASSY BONN

INFO AMEMBASSY LONDON

AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 206555

E.O. 11652: GDS

TAGS: EAID, ID, US

SUBJECT: US AID TO INDONESIA

REF: BONN 14738.

1. USG SHARES FRG VIEW THAT INDONESIA, AS AN OIL PRODUCER WITH GREATLY INCREASED HARD CURRENCY EARNINGS, IS CANDIDATE FOR REDUCTION IN CONCESSIONAL AID. ACCORDINGLY, WE WILL BE REDUCING VOLUME OF AID LOANS TO INDONESIA IN U.S. FY 1975 COMPARED WITH FY 1974. NO CHANGE CONTEMPLATED IN INTEREST RATE AND MATURITY PROVISIONS OF THESE LOANS. LEVEL OF
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PL 480 CREDITS IN FY 1975 BUDGET AT PRESENT EXCEEDS

DELIVERIES IN FY 1974 (WHICH WERE LESS THAN 10 MILLION DOLS BECASUE OF COMMODITY SHORTAGES AND HIGHER PRIORITY NEEDS OF OTHER RECIPIENTS). TERMS OF FY 1975 PL 480 CREDITS WILL BE HARDENED (MATURITY AND GRACE PERIOD SHORTENED BUT INTEREST RATE UNCHANGED), AND GOI HAS BEEN INFORMALLY ADVISED OF THIS. IN ADDITION, BECAUSE OF RECENT GOI WILLINGNESS TO BECOME OBLIGOR FOR EXIM BANK LOANS, EXIM CONSIDERING LOAN APPLICATIONS FOR INDONESIA. INTEREST ON EXIM LOANS IS CURRENTLY IN 7-8.5 PERCENT RANGE, WITH MOST LOANS AT 8 PERCENT.

2. LIKE FRG, USG WILL BE AWAITING RESULTS OF IN-DEPTH IBRD STUDY OF FUTURE GOI DEVELOPMENT NEEDS, WHICH GETS

UNDER WAY IN INDONESIA NEXT MONTH AND WILL FORM BASIS FOR DONOR CONSORTIUM LENDING IN FY 1976 AND BEYOND. KISSINGER

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